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Survey: Financial Advisors Have Larger Role to Play in Clients' Retirement Planning

Sponsors and participants alike are prioritizing financial education and more savings options in workplace retirement plans.

Rob Burgess | Jan 31, 2023

As the regulatory landscape shifts, financial advisors have an opportunity to play an ever more important role when it comes to workplace retirement plans, with both plan sponsors and participants, according to the results of a series of surveys released by Vestwell.

Vestwell conducted the fourth-annual "Retirement Trends Report" late last year and received responses from almost 1,300 savers, 500 financial advisors and 250 small businesses. The results come as the SECURE 2.0 Act was signed into law, opening the door for smaller employers to offer workplace retirement plans, and changes the way many retirement savers will use those plans.

Aaron Schumm, founder and CEO of Vestwell, said both the small employers and the employees surveyed are looking for additional savings benefits through the workplace, including retirement plan education.

“We saw that a remarkable 90% of employees are interested in the support of a financial advisor to guide them through their savings options. The report also found that an overwhelming majority of employees surveyed rank employer-sponsored retirement programs and employer matching as high priority,” said Schumm.

On the Vestwell platform, saving for retirement remains a top priority for individuals even as the economic environment turned gloomy, said Schumm. “Despite tumultuous market conditions over the last year,” they saw the average account balance stay within \$1,000 of their 2021 levels, across each generational cohort, said Schumm.

Retail-facing advisors said they have also found strong interest among clients in increasing their options and education around retirement planning. David E. Barfield, a financial planner with Datapoint Financial Planning in Canton, S.C., said most of the families they serve are two-income household millennials, who seem “to be more aware of the various savings options available to them than prior generations.”

“Honestly, most of my millennial clients are on the other end of the spectrum, saving more than necessary,” said Barfield. “I have to show them that it’s OK to spend some and enjoy life now rather than saving every dollar. One of the more fulfilling aspects of being a personal financial planner is helping families find that optimal balance between saving and spending.”

The survey found that as the small 401(k) plan market grows, financial advisors are expanding their workplace retirement plan practices. Of those surveyed, 40% said they expected their small plan 401(k) practices to “significantly grow.”

Meanwhile, employees are increasingly seeking education and expanded savings benefits from employers, who are upping retirement plan benefits to attract talent. Nearly one-quarter (23.7%) of employers said they increased their 401(k) matches in 2022.

“Our clients aren’t necessarily looking for more retirement savings options, but they do want to make sure they are allocating their retirement savings in the most tax-efficient manner possible for today and the long term,” said George Jameson, a financial planner with Blackbridge Financial in Columbia, S.C.

The survey highlighted the importance of the role advisors play in retirement plan decisions for both employees and plan sponsors.

Of the employers surveyed, 34% of them came to offer a retirement plan because of an advisor or accountant’s recommendation, and 47% of them

said they believed advisors add the most value when educating employees about 401(k)s and investment decisions.

And of the financial advisors surveyed, educating employees was the top choice when asked what they believed was the greatest value that they brought to their plan sponsor clients.

"The service employers most wish advisors provided more of is education, putting advisors in the unique position of being able to proactively support both their small-business employers and their employees," said Schumm.

Mark Struthers, a financial advisor with Sona Wealth Advisors in Minneapolis, said advisors should educate clients "on all the options available, not just on the ones they get paid for," including their workplace retirement plans.

"Many advisors make more selling insurance products and often highlight those rather than what may be best for the client," said Struthers. "Through tax planning, better use of employee benefits and equity compensation, and prioritizing and budgeting. Many clients are so busy earning they don't take the time to make the most of their income."